

# BUDGET LETTER

<b>SUBJECT:</b> EMPLOYER RETIREMENT CONTRIBUTIONS	<b>NUMBER:</b> 17-23
<b>REFERENCES:</b> CONTROL SECTION 3.60, BUDGET ACT OF 2017	<b>DATE ISSUED:</b> August 16, 2017
	<b>SUPERSEDES:</b> BL 16-25

TO: Agency Secretaries  
Department Directors  
Departmental Budget and Accounting Officers  
Department of Finance Budget and Accounting Staff

FROM: DEPARTMENT OF FINANCE

**NOTE: Budget Officers are expected to forward a copy of this Budget Letter (BL) to Human Resources and Labor Relations Offices.**

This BL provides departments with instructions for scheduling 2017-18 retirement rate adjustments as part of the 2018-19 budget process.

<b><i>Deadlines and Deliverables</i></b>	
<b>September 22, 2017</b>	<b>Control Section (Section) 3.60 Employer Retirement Rate Contribution Adjustment Worksheet, adjustments in Hyperion, and supporting documentation due to your Finance budget analyst.</b>

## A. Background

### **Retirement Rates Have Changed**

The Legislature adopted new employer retirement contribution rates that are not yet reflected in departmental base budgets. Pursuant to Section 3.60, departmental appropriations will be adjusted to accurately reflect the state's share of retirement costs through the Budget Executive Order process.

The following table displays the retirement rates for 2016-17 and 2017-18:

<b>-A-</b>	<b>-B-</b>	<b>-C-</b>
<b>Retirement Category</b>	<b>2016-17 Retirement Rates</b>	<b>2017-18 Retirement Rates</b>
Miscellaneous, Tier 1	26.728%	28.423%
CSU, Miscellaneous, Tier 1	26.728%	28.423%
Miscellaneous, Tier 2	26.984%	28.423%
State Industrial	19.246%	20.408%
State Safety	19.935%	20.584%
Peace Officer/Firefighter	41.923%	44.245%
CSU, Peace Officer/Firefighter	41.923%	44.245%
Highway Patrol	50.038%	54.104%

### Glossary Relevant to this BL

The following terms are used throughout this BL:

BBA	=	Baseline Budget Adjustments. These are baseline expenditure adjustments such as employee compensation, carryovers, etc.
BR	=	Budget Request. These are issues identifying changes to dollar amounts and/or positions for any fiscal year in the system.
BU	=	Business Unit. This four-digit number is equivalent to an organization code/entity.
Category	=	An account code in the Chart of Accounts.
ENY	=	Enactment Year (formerly Year of Appropriation).

## **B. General Instructions**

To request funding for eligible adjustments, departments must complete and submit the CS 3.60 Employer Retirement Rate Contribution Adjustment Worksheet (Attachment 1), adjustments in Hyperion, and related supporting documentation to their Finance budget analyst **no later than September 22, 2017**. This information is necessary to support the funding request and provide the necessary scheduling information to the State Controller's Office (SCO) to process the Budget Executive Order. **If a department fails to meet this deadline, Finance will calculate and schedule the adjustment; however, departments may not have an opportunity to adjust any calculations and scheduling performed by Finance.** Please refer to the following instructions.

As noted in the revised [BL 17-19](#), contrary to normal practice, the Schedule 8 from the State Controller's Office included salary adjustments for vacant positions and certain other positions as of July 1, 2017, not June 30, 2017, which will be used to complete the 2018-19 Salaries and Wages Spreadsheet (Schedule 7A). Using the Schedule 7A for purposes of this BL may result in amounts in excess of the actual retirement rate changes. Therefore, **departments are to make adjustments that generally adjust for this discrepancy with adequate supporting documentation provided to the Finance budget analyst.** In some cases, **Finance may adjust amounts calculated and submitted, depending on authorized positions and budgetary constraints.**

### Checklist

Departments should utilize the following checklist when completing Attachment 1 and the associated Hyperion entries, including use of the BBA Upload Template:

1. **BR Name:** Use the standard naming conventions to provide a unique BR Name (for example, 2222-00X-BBA-2018-GB).
2. **BR Title:** For purposes of this BL, "Section 3.60 Pension Contribution Adjustment" must be used.
3. **BBA Type:** For purposes of this BL, "Retirement Rate Adjustments" must be selected.
4. **ENY:** Unless scheduling to a continuous or continuing appropriation, select an ENY of 2017 for CY Expenditures adjustments and an ENY of 2018 for BY-BY4 Expenditures adjustments.
5. **Category Codes:** For purposes of this BL, Category 51506XX (Retirement) must be used.
6. **Retirement Rate Adjustments:** Must be entered in whole dollars and rounded to thousands in Attachment 1 and Hyperion. For example, \$1,987 should be rounded to \$2,000.
7. **Reimbursements:** Fund 0995 must be used to schedule reimbursements to the associated program/category spending those funds. As noted in [BL 16-13](#), and consistent with the 2017-18 Governor's Budget process, reimbursements are no longer reflected under the associated expenditure item or Category 48XXXXX in Hyperion.
8. **Distributed Administration Costs:** See the Distributed Administration Costs section below for more information.

## C. CS 3.60 Employer Retirement Rate Contribution Adjustment Worksheet (Attachment 1)

### 3.60 Contribution Adjustment Worksheet

If all positions listed on the Schedule 7A are affected by the retirement rate changes listed in this BL, use the Regular/Ongoing Positions salaries in the current year column (2017-18) from the Schedule 7A (see highlighted cell in Schedule 7A example) for the 2017-18 Salary Base on this worksheet. If a department has positions not affected by the retirement rate changes listed in this BL, the department should exclude those positions and work with its Finance budget analyst to identify the appropriate salary base to be adjusted (e.g., CalSTRS members). **Do not modify formulas in the worksheet**; all cells are formula driven, except for the 2017-18 Salary Base.

### Schedule 7A Example

ORGANIZATIONAL UNIT  Classification	NUMBER OF POSITIONS			EXPENDITURES		
	Filled 2016-17	Authorized 2017-18	Proposed 2018-19	Actual 2016-17 (Salary Range)	Estimated 2017-18	Proposed 2018-19
<b>Administration</b>						
Exec Director	0.9	1.0	1.0	\$8,369-9,053	\$105,300	\$105,300
Program Mgr I	0.8	1.0	1.0	5,079-6,127	64,267	67,483
Assoc Program Officer	0.8	2.0	2.0	4,400-5,348	107,140	112,497
Exec Asst	0.6	1.0	1.0	3,288-3,996	45,674	45,674
Staff Services Analyst	0.9	-	-	2,817-4,446	-	-
<b>TOTALS, AUTHORIZED POSITIONS</b>	<b>5.0</b>	<b>6.0</b>	<b>6.0</b>	<b>\$294,552</b>	<b>\$370,738</b>	<b>\$380,597</b>
<i>Regular/Ongoing Positions</i>	<i>4.0</i>	<i>5.0</i>	<i>5.0</i>	<i>256,132</i>	<i>322,381</i>	<i>330,954</i>
<i>Temporary Help</i>	<i>1.0</i>	<i>1.0</i>	<i>1.0</i>	<i>25,613</i>	<i>32,238</i>	<i>33,095</i>
<i>Overtime</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>12,807</i>	<i>16,119</i>	<i>16,548</i>

### 3.60 Fund Split Worksheet

Provide the unique appropriation item information (BU, Reference, Fund, Program, and Category) for each adjustment. **Category 51506XX (Retirement) must be used for these adjustments.** The only exception is scheduling adjustments as Distributed Administrative Costs (Program 9900200), then use Category 5342500 (Indirect Distributed Cost). If reimbursement adjustments are necessary, a Category 51506XX adjustment must be made in Fund 0995. The total from the 3.60 Fund Split Worksheet must tie to the 3.60 Contribution Adjustment worksheet in Attachment 1.

To correctly classify funds and eliminate errors, the 3.60 Fund Split worksheet includes a drop-down list of all funds by fund number as well as all applicable adjustment categories to select rather than keying in manually. The fund classification will auto-populate based on the fund/category selected. While this process *should* help mitigate errors, departments must verify each fund classification by reconciling it to the Uniform Codes Manual (UCM). Please refer to the UCM, Numerical Fund Listing: [http://www.dof.ca.gov/Accounting/Policies\\_And\\_Procedures/Uniform\\_Codes\\_Manual/Fund\\_Codes/documents/20fundnum.pdf](http://www.dof.ca.gov/Accounting/Policies_And_Procedures/Uniform_Codes_Manual/Fund_Codes/documents/20fundnum.pdf)

Federal funds and bond funds will be classified as non-governmental cost funds.

### 3.60 Crossties Worksheet

To ensure that all adjustments within Attachment 1 agree, the crossties on this worksheet must all reflect "0" for the current year.

## D. Instructions—BRs in Hyperion and BBA Upload Templates

### **General Information**

After completing Attachment 1, departments are required to complete a BR in Hyperion for Retirement Rate Adjustments. Adjustments in Hyperion must correspond to the adjustments listed on the 3.60 Fund Split worksheet. If uploading to Hyperion, departments must use the latest BBA Excel Upload Template Workbook available on Finance's website at:

[http://www.dof.ca.gov/budget/resources\\_for\\_departments/budget\\_forms/](http://www.dof.ca.gov/budget/resources_for_departments/budget_forms/).

Departments must use the following for the BR created:

1. Use the standard naming conventions to provide a unique BR name (for example, 2222-00X-BBA-2018-GB).
2. For purposes of this BL, the title must be "**Section 3.60 Pension Contribution Adjustment.**"
3. For departments using the BBA Excel Upload Template, use the drop-down menu to select the appropriate BU.

### **Baseline Adjustment Type**

Departments must select BBA type "**Retirement Rate Adjustments**" from the drop-down menu in the Baseline Adjustment Type tab.

### **Baseline Adjustments (CY Expenditures and BY-BY4 Expenditures)**

Using the drop-down menus, specify the Item, ENY, Program, and Category for each unique combination of funding needed for the adjustment. For purposes of this BL, the only acceptable Category to select is 51506XX (Retirement), unless scheduling adjustments as Distributed Administrative Costs (Program 9900200), then use Category 5342500 (Indirect Distributed Cost). Reimbursements will also be captured in Category 51506XX; **not Category 48XXXXX**. Using the dollars scheduled in the current and budget years in Attachment 1, enter the adjustments in the CY Expenditures and BY-BY4 Expenditures tabs in whole dollars and rounded to the nearest thousand. All ongoing BY expenditure dollars should be copied to the BY1-4 columns.

### **Distributed Administration Costs**

Departments that distribute administrative costs will need to reflect that distribution for applicable Retirement Rate Adjustments. To properly reflect the in-and-out nature of distributed administrative costs, a three-entry scheme is required. Departments will use Program 9900100 (positive adjustment) and Category 51506XX to show the positive total being distributed to a particular program, Program 9900200 (negative adjustment) and Category 5342500 to reflect the total distributed cost, and the Program (positive adjustment) that pays for various distributed costs with Category 5342500. This process allows for the dollars associated with a particular program to be included in the program total. For more details, refer to "Treatment of Distributed Administration" found at

[http://www.dof.ca.gov/Budget/Fiscal\\_Resources\\_For\\_Budget/](http://www.dof.ca.gov/Budget/Fiscal_Resources_For_Budget/).

## E. Questions

Please direct questions related to the treatment of budget documents to your Finance budget analyst.

/s/ Justyn Howard

Justyn Howard  
Program Budget Manager

Attachment